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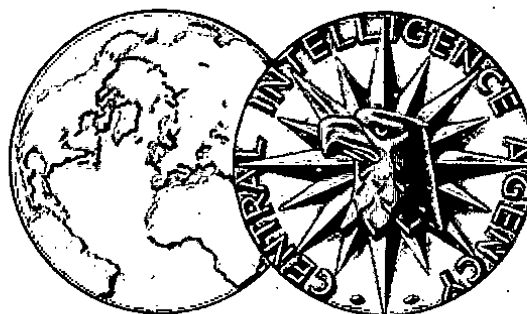
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WEEKLY SUMMARY



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H I G H L I G H T S

Sentiment for German unity has recently been on the increase in West Germany and has found expression in such acts as the lifting of the West German embargo on steel bound for the Soviet Zone (see page 2). A popular movement favoring German unity has received support from many shades of political coloration. The bitter German reaction to the recent French-Saar 50-year agreement will add impetus to this movement. Meanwhile, the spread of French labor strikes, beginning in the automotive and metal industries, is contributing to the French Communist anti-MDAP campaign (see page 2).

Returns for the Greek national election of 5 March indicate that the new coalition government will be essentially centrist and of questionable stability (see page 8). No one of three parties which received the greatest popular vote is likely to obtain more than 50 or 60 seats in the 250-man parliament, and another general election may become necessary.

The Argentine Government may soon be forced to seek US financial assistance as a consequence of persistent economic difficulties and increasingly unfavorable financial developments (see page 13). Although Peron will face great difficulties in any attempt to revise Argentina's economic policies in order to qualify for US aid, continued economic deterioration may force him to undertake such revision.

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W E S T E R N E U R O P E

GERMANY

Unification Sentiment Although US High Commissioner McCloy recently challenged the Soviet claim that the USSR is the sole champion of German unity by proposing that German unity be accomplished on the basis of freely-held elections, the effectiveness of McCloy's proposal in countering agitation for unification will depend upon increased support from officials in the West German Government. Sentiment for German unity has been increasing in many West German circles. The recent lifting of the steel embargo by the West German Government is one indication of the pressure from West German businessmen for increased trade with the Soviet zone; organizations of "intellectuals" advocating neutrality for a united Germany have been gaining popular strength; Protestant spokesmen and the rightist-nationalist parties have urged German unification on various terms; and the Communist Party and various Communist-front organizations continue to support the idea of a unified Germany. Many of the extreme nationalists envisage a future understanding with the USSR which would strengthen their position in a united Germany.

FRANCE

Strike Wave Continuing labor agitation in France will contribute to the Communist campaign against MDAP. Major strikes, already in progress in the automotive industry, are spreading among metal

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workers, and strike sentiment is growing among workers in the Paris utilities. Prospective government counter-measures to regulate the right to strike and to set the minimum wage may be hampered by the present outbreak of labor unrest, and non-Communist labor unions have been placed at a disadvantage through political exploitation of labor's economic grievances by the Communist-dominated General Confederation of Labor. The Bidault Government is likely to propose a bonus for low-paid workers, but neither this concession nor basic wage proposals of either government or management are likely to be sufficient to halt the current strike wave in the near future.

ITALY

Labor Developments Prospects are not bright for the development of the proposed non-Communist labor federation into an organization capable of cutting into the membership of the Communist-dominated General Labor Confederation (CGIL). The Socialist-Republican Italian Federation of Labor (FIL) recently voted to create such an organization by uniting with the Free General Confederation of Workers sponsored by the Christian Democratic Party, but past attempts at unification have been opposed by a substantial portion of the FIL members who fear absorption by the larger Christian Democratic organization. The proposed federation would have little success in attracting members unless workers could be offered a substantial improvement in economic status and unless the federation could demonstrate its independence of the Church, political parties,

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and particularly the government. The time is not auspicious for economic gains by labor, largely because the government is tending to ignore labor's viewpoint in disputes with management, and employers are using the weakening Communist hold on labor to increase their resistance to worker demands. Moreover, the CGIL is still regarded by many non-Communist workers as the most effective champion of their interests. The non-Communist unions have won some benefits for workers, but a unified federation would have to do much better before it could seriously challenge the CGIL.

GENERAL

Air Transport Problem The active planning among Atlantic Pact countries for war mobilization of surface shipping may lead to consideration of similar steps to be taken with respect to transport aircraft, which would immediately be in serious short supply in the event of war. The emergency evacuation of European transport aircraft was suggested at one time by an official of a European airline, but to date no comprehensive plan for such a step has been developed, and no project for joint utilization of Western transport aircraft has been undertaken. The most important element in a joint fleet of transport aircraft would be four-engine transports, because of their capabilities for transoceanic operations. The US civil air fleet of 469 four-engine aircraft represents about 60 percent of the combined Atlantic Pact transports in

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GENERAL

this category. A large number of the non-US aircraft are suitable for immediate allocation to transoceanic operations, whereas a substantial part of the four-engine transports owned by the US air carriers are designed for domestic operations and would require time-consuming conversion to make them suitable for emergency overseas use.

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E A S T E R N E U R O P E

Soviet Boycott The extended Soviet boycott of the UN, now in its eighth week, is damaging UN prestige and supplying ammunition for Soviet propaganda. Despite the contention that the walkout is illegal and the protestations that it must not be allowed to interfere with normal UN operation, the Western Powers privately admit that operations are not normal and that "provocative" issues should be avoided during the absence of the USSR. This prevailing undercurrent of uncertainty and pessimism at Lake Success arises to some extent from the fear that the Soviets may not return to the UN if the Chinese impasse is permitted to drag on too long. The continued official representation of China by the National Government on Taiwan supplies anti-US propaganda material. Soviet accusations that the US is blocking the legitimate aspirations of the Chinese people by preventing other UN members from voting to unseat the discredited Nationalists are receiving sympathetic audiences in the Far East.

YUGOSLAVIA

Technician Shortage The current shortage of skilled technical manpower will continue to hamper Yugoslavia's industrial expansion until foreign engineers and mechanics can be employed to train a sufficient number of Yugoslav technicians to permit full utilization of capital equipment being supplied by the West. Some Italian and German technicians have been recruited, but the manpower requirements of

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YUGOSLAVIA

recently installed industrial equipment are already greater than the supply of skilled workers in Yugoslavia. Moreover, further efforts to obtain European personnel will not be successful until anti-Yugoslav sentiment, engendered by ill treatment of German and Italian nationals, can be dispelled by the Tito Government. The Yugoslav Government may find it necessary to turn to the US for technical assistance in utilizing the new industrial equipment.

FINLAND

New Government . Although President Paasikivi has asked Finnish party leaders to consider the inclusion of some Communists in the new Cabinet, it is unlikely that Communists will actually participate in the new government. Paasikivi also made this request when the previous Cabinet was being formed in July 1948, and his present request will probably only protract and complicate the negotiations among the various parties. The Communists claim they should be represented in any coalition Cabinet because the Communist-dominated Democratic Union forms the third largest party in the Diet and because they obtained the third largest number of votes in the January presidential elections. The Agrarians, with the largest Diet representation, are reportedly willing to form a coalition Cabinet with Communists as Minister of Communications and Public Works and as Deputy Ministers of Foreign Affairs and Social Affairs. However, these three minor posts are less than the Communists refused in July 1948 and are far short of the expressed Communist desire for at least four portfolios, including some key posts. The most likely coalition combination would include Agrarians, Social Democrats, and some rightist parties.

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GREECE

Coalition Prospects An essentially centrist coalition government of questionable stability will probably result from the 5 March national elections in Greece. Three parties have forged ahead in the popular vote--Constantine Tsaldaris' Populists, the new left-center bloc under Nicholas Plastiras, and Sophocles Venizelos' Liberals. None of them, however, is likely to obtain more than 50 to 60 seats in the 250-man parliament, and the possibility that all three might combine forces is virtually precluded by the mutual distrust of Plastiras and Tsaldaris. With the collaboration of George Papandreou's moderate group and of several lesser centrist and moderate rightist parties, a Plastiras-Venizelos combination might secure a parliamentary majority (Tsaldaris appears to have little chance of rallying sufficient support for a coalition). Even if a Plastiras-Venizelos coalition is formed, however, perhaps 45 percent of the chamber, including the Sophianopoulis leftists and various extreme rightists, would still be left in opposition.

In the face of such strong opposition, the effectiveness and stability of a coalition government will be impaired by the difficulty in reconciling the demands of its several nearly equal components, and another general election may become necessary. In such an event, the formerly dominant Liberals and Populists might be temporarily eclipsed by a struggle between the emergent figures of Plastiras and Marshal Papagos, who is the King's favorite for the position of "strong man" in Greece.

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N E A R E A S T - A F R I C A

WFTU Plans The major international Communist front organizations are devoting increasing attention to penetrating the dependent areas of Africa. The World Federation of Trade Unions (WFTU), preoccupied until recently in Western Europe and the Far East, now appears ready to take more aggressive action in Africa, where it considers the Western Powers especially vulnerable. In July of 1949, the Soviet WFTU representative called for assistance to the trade unions of Asia and Africa as the WFTU's "most important task" and urged the convening not later than 1950 of "a conference of Asiatic countries and of the trade unions of African countries." Although no African conference has yet been held, the WFTU has demonstrated the importance it attaches to this area by selecting the French Sudanese trade unionist, Abdulla Diallo, as its representative to the UN Economic and Social Council and by directing him to press vigorously for UN action against "discriminatory measures by color or race" in the territories of UN members. The World Federation of Democratic Youth has also begun to concentrate greater efforts in French Africa.

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F A R E A S T

Hong Kong Airships Although Communist officials apparently believe that as soon as official documentary notification is placed in the hands of the Hong Kong Governor the fleet of air transports involved in litigation there can be flown to China, this plan may be delayed by British executive action. On orders from London, the Governor of Hong Kong has stipulated that the aircraft documentation must be submitted through "diplomatic channels." In view of the protracted negotiation in Peiping for establishment of full diplomatic relations between the UK and Communist China, this British move may prevent the speedy removal of the aircraft by the Communists and allow time for new legal steps to be taken by the US interests to obtain possession of the aircraft.

BURMA

Government Advances The recent well-planned Burmese advance into Karen territory, capitalizing on a critical Karen shortage of arms and ammunition, may lead to the early capture of Toungoo, the chief center of Karen resistance. Government troops have followed up the victorious assault on Nyaunglebin (second largest center of Karen resistance) with a rapid northward movement on the Karen "capital." The fall of Toungoo would halt unified Karen resistance in Burma and permit greater Government concentration on other problems, including the suppression of Communist and "People's Volunteer Organization" rebels, presently obstructing the main lines of communication between Upper and Lower Burma.

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INDONESIA

Centralization Trend Popular sentiment favoring the abolition of the separate states comprising the federated United States of Indonesia (USI) has recently become so strong that Indonesia's federal structure will probably be completely reorganized. Aggressive political leaders in the principal state of the USI, the original Republic of Indonesia, have been agitating so successfully for the unification of other Indonesia states within the former boundaries of the old Republic that President Sukarno has been forced to approve actions already taken in that direction by some of these states. A continuation of this trend means that the original Republic will eventually displace the present USI federation as the governing authority in Indonesia. Of the sixteen states which originally formed the USI, only East Indonesia--the largest and oldest--is likely to offer strenuous opposition to this process of reorganization into a centralized republic. Many USI leaders are apparently willing to accept the trend toward liquidation of the individual states and believe that the resultant strong central government will save money and allow more effective utilization of Indonesia's few trained administrators. The shift from the present federation to a centralized government, however, will require considerable time because of strong rivalries between Republicans and Federalists and among competing Republican factions.

MALAYA

Guerrilla Trouble The elimination of the Communist guerrillas in Malaya continues to be a serious and long-term problem. Bandit attacks have been increasing in recent months and British recognition

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MALAYA

of Communist China has raised bandit morale. Moreover, the link between the terrorists and the Chinese community in Malaya may become stronger, and there is now the possibility of a wholesale shift of Chinese sympathy in Malaya toward the Communist regime in China. The Peiping radio has intensified its propaganda campaign glorifying the rebellion in Malaya, and influential Chinese in Malaya will probably increase their efforts to develop support for the Chinese Communists among local Chinese.

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W E S T E R N H E M I S P H E R E

ARGENTINA

Economic Difficulties Persistent economic difficulties and increasingly unfavorable financial developments during the past few months may soon force the Peron Government to seek financial assistance from the US. Preliminary maneuvers apparently aimed at eventually establishing economic cooperation with the US have already been made, including the suggestion by the head of Argentina's National Economic Council that a US-Argentine treaty of friendship, commerce, and economic development might assist in solving mutual problems. More recently, the Argentine Government has offered certain assurances that it will revise its economic policies in order to qualify for US aid. Regular payments on Argentine dollar arrears to US firms were undertaken a few months ago, and there are indications that Peron now recognizes the importance of satisfying the legitimate needs (particularly for assurances against expropriation) of US business operating in Argentina. Although Peron's political commitments to state control of industry and his dependence on the support of nationalists opposed to collaboration with the US will make any moves toward closer relations with the US somewhat difficult, continued economic deterioration in Argentina may force Peron to settle some of the outstanding US-Argentine trade and financial differences.

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CHILE

New Cabinet Although a majority of the new Cabinet members are leftists, Communist influence will not become a threat to the stability of the Chilean Government in the near future. Government policy, however, may shift toward the left; a more friendly attitude toward Communists may develop; and the President may be restricted in his use of special laws which previously have been invaluable in maintaining order and in controlling Communist threats.

COLOMBIA

Increased Unrest The Colombian Army, already antagonized by the Conservative Government's transfer of Liberal officers from the more important army posts and the creation of a large pro-government police force, has now been further alienated by a decree permitting the government to retire any officer. Although the Colombian Army has not participated in politics for many years, President-elect Gomez now apparently feels that he requires an army of unquestionable loyalty for use in any emergency. The measures taken to secure reliable armed backing for the government may backfire, however, by providing a focal point for civilian and military dissatisfaction with the President-elect, and possibly precipitate a civil war. The prospects for the success of such an attempt would be increased, if support should be received from anti-conservative forces in the Caribbean area (such as the Venezuelan Accion Democratica) or from the Caribbean Legion.

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RUBLE REVALUATION

The Soviet decree of 28 February 1950 revaluing the ruble from 18.87¢ to 25¢ appears designed primarily to serve Soviet propaganda purposes and to facilitate the economic exploitation of the Satellites within the Soviet orbit. The revaluation will probably not have any direct effects outside the Soviet sphere; the accompanying reduction of prices in the USSR, however, may improve to some extent the living standards of the Soviet people.

Although the USSR claims that the gold content of the ruble has been increased, the ruble will continue to be unacceptable as an international unit because the Soviet decree failed to provide for: (1) unrestricted convertibility; and (2) the buying and selling of gold at a fixed price in unlimited quantities in international transactions. Soviet trade with the West, therefore, will continue to be conducted in terms of Western currencies. The USSR is already claiming that the revaluation of the ruble demonstrates the superiority of the Soviet economy and the increased stability of the currency. The Soviet people will benefit to some extent from price reductions on a wide range of consumer goods including many items of primary importance to lower paid workers. The largest reduction in prices, however, occurred in items still out of reach of the average consumer and the cost of food compared to Western standards remains exorbitant.

The February 28 decree was issued immediately after the conclusion of Soviet-Satellite and Chinese-Soviet trade and credit agreements for 1950, and it is likely that

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some formula for balancing the currencies of those states with the new value of the ruble was incorporated in the various agreements. Such a formula probably established for intra-orbit trade an arbitrary price list more favorable to the USSR and divorced from world prices, as a means of furthering the Soviet aim of integrating the economies of the USSR, the Satellites, and Communist China.

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NEW COMMUNIST CHINA AIR FORCE

Recent developments indicate that Communist China is preparing a new air force which may be sent into action in the near future. During the past few weeks, various airfields in south Kiangsu and Chekiang reportedly have been prepared for use by the Chinese Communists and considerable activity has also taken place around Shanghai's four major airfields. Indications that the Communists will have Soviet assistance in activating their air force include: (1) feverish requisitioning of foreign houses in Shanghai reportedly for the use of Soviet air personnel; (2) the reported arrival of considerable numbers of Soviet air personnel in the Shanghai area; and (3) the razing of native villages near Lunghua and Hungjao airfields apparently in order to establish a security zone. Moreover, the recent successes of the Nationalist air force will probably force the Communists to put at least a token force in the air as soon as possible.

The Communists now possess about 40 former Nationalist combat and transport planes and an unknown number of wartime Japanese aircraft. The USSR probably will contribute considerable technical assistance to the new air arm and may even turn over a limited number of surplus Soviet aircraft and spare parts to the Chinese Communists. Personnel available to the Communists in building an air force include some US-trained former Nationalist pilots and crews who have defected; Chinese Communist air force personnel reportedly have been receiving training in northeast Manchuria and in the USSR since late 1946. The Communists are now apparently meeting the basic requirements for operating an effective air force, including experienced

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personnel, adequate planes and spare parts, fuel and lubricants. Even though the Communists probably would prefer to avoid major air operations until these can be conducted in connection with an invasion of Taiwan, a limited number of combat craft may be used in the near future in an effort to bar Nationalist planes from Shanghai and the lower Yangtze valley.

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